

**RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY**

Bayou Vista, Louisiana

Year Ended September 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/15/09

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Recreation District No. 3 of the Parish of St. Mary
Bayou Vista, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Recreation District No. 3 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The budgetary comparison schedule on pages 28 and 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
January 23, 2009

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Statement of Net Assets
September 30, 2008

	<u>Governmental Activities</u>
 ASSETS	
Cash and interest-bearing deposits	\$ 221,689
Investments	75,391
Due from other governmental units	517,337
Prepaid expenses	24,217
Capital assets, net	<u>2,713,616</u>
 TOTAL ASSETS	 <u>3,552,250</u>
 LIABILITIES	
Accounts, salaries, and other payables	6,748
Long term liabilities:	
Due within one year	136,000
Due in more than one year	<u>917,621</u>
 TOTAL LIABILITIES	 <u>1,060,369</u>
 NET ASSETS	
Invested in capital assets, net of related debt	1,665,201
Restricted for -	
Capital projects	14,238
Debt service	217,663
Unrestricted	<u>594,779</u>
 TOTAL NET ASSETS	 <u>\$ 2,491,881</u>

The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Statement of Activities
Year Ended September 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 399,668	\$ 83,608	\$ 107,417	\$ 54,849
Interest on debt	<u>44,571</u>	-	-	-
Total governmental activities	<u>\$ 444,239</u>	<u>\$ 83,608</u>	<u>\$ 107,417</u>	<u>\$ 54,849</u>
				\$ (153,794)
				<u>(44,571)</u>
				<u>(198,365)</u>
General revenues:				
Taxes:				
Property taxes, levied for maintenance and debt service				481,076
Grants not restricted to specific programs:				
Federal sources -				
Disaster relief				9,988
Interest and investment earnings				8,797
Miscellaneous				<u>100</u>
Total general revenues				<u>499,961</u>
Change in net assets				301,596
Net assets - October 1, 2007, as restated				<u>2,190,285</u>
Net assets - September 30, 2008				<u>\$ 2,491,881</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Capital Projects Fund

The Capital Project Fund is used to account for bond proceeds financing the improvements of the facilities.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bond principal, interest, and related costs.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Balance Sheet
Governmental Funds
September 30, 2008

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Assets:				
Cash and interest-bearing deposits	\$ 53,387	\$ 14,881	\$ 157,421	\$ 221,689
Investments	1,138	10,011	61,242	75,391
Prepaid expenses	24,217	-	-	24,217
Due from other governmental units	336,523	-	180,814	517,337
Due from other funds	<u>10,654</u>	<u>-</u>	<u>-</u>	<u>10,654</u>
Total assets	<u>\$ 425,919</u>	<u>\$ 24,892</u>	<u>\$ 398,477</u>	<u>\$ 849,288</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 2,510	\$ -	\$ -	\$ 2,510
Accrued liabilities	823	-	-	823
Deferred revenue	312,773	-	180,814	493,587
Due to other funds	<u>-</u>	<u>10,654</u>	<u>-</u>	<u>10,654</u>
Total liabilities	<u>316,106</u>	<u>10,654</u>	<u>180,814</u>	<u>507,574</u>
Fund balance:				
Reserved for -				
Capital projects	-	14,238	-	14,238
Debt service	-	-	217,663	217,663
Unreserved and undesignated	<u>109,813</u>	<u>-</u>	<u>-</u>	<u>109,813</u>
Total fund balance	<u>109,813</u>	<u>14,238</u>	<u>217,663</u>	<u>341,714</u>
Total liabilities and fund balance	<u>\$ 425,919</u>	<u>\$ 24,892</u>	<u>\$ 398,477</u>	<u>\$ 849,288</u>

(continued)

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Balance Sheet (continued)
Governmental Funds
September 30, 2008

Reconciliation of the governmental funds' balance sheet to the statement of net assets:

Total fund balances for governmental funds at September 30, 2008 \$ 341,714

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of

Land	\$ 268,607	
Buildings, net of \$509,854 accumulated depreciation	1,349,385	
Recreational facilities and playground equipment, net of \$36,259 accumulated depreciation	762,200	
Ball parks, net of \$179,493 accumulated depreciation	282,095	
Equipment, net of \$70,501 accumulated depreciation	42,649	
Furniture, net of \$31,514 accumulated depreciation	<u>8,680</u>	2,713,616

Deferred revenues are not considered current financial resources and are reported as a liability in the funds 493,587

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Bonds payable	(1,045,000)
Accrued interest payable	(3,415)

Compensated absences are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds. (8,621)

Net assets at September 30, 2008 \$2,491,881

The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Sources-				
Intergovernmental	\$ 115,283	\$ 143,651	\$ -	\$ 258,934
Ad valorem taxes	127,881	-	276,806	404,687
Fee and charges for services	83,608	-	-	83,608
Investment earnings	1,222	1,026	6,549	8,797
Donations	100	-	-	100
Total revenues	<u>328,094</u>	<u>144,677</u>	<u>283,355</u>	<u>756,126</u>
Expenditures:				
Current -				
General government	224,377	18	1,573	225,968
Repairs and maintenance	19,519	-	-	19,519
Professional fees	5,925	-	-	5,925
Utilities	47,472	-	-	47,472
Capital outlay	10,165	338,454	-	348,619
Debt service -				
Interest and fees	-	-	44,942	44,942
Principal	-	-	128,000	128,000
Total expenditures	<u>307,458</u>	<u>338,472</u>	<u>174,515</u>	<u>820,445</u>
Excess (Deficiency) of revenues over expenditures	20,636	(193,795)	108,840	(64,319)
Fund balances, beginning	<u>89,177</u>	<u>208,033</u>	<u>108,823</u>	<u>406,033</u>
Fund balances, ending	<u>\$ 109,813</u>	<u>\$ 14,238</u>	<u>\$ 217,663</u>	<u>\$ 341,714</u>

(continued)

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY

Bayou Vista, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances (continue j)

Governmental Funds

Year Ended September 30, 2008

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities:

Total net changes in fund balance for the year ended September 30, 2008 per

Statement of Revenues, Expenditures and Changes in Fund Balances	\$	(64,319)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds

Accrued interest payable - prior year	3,786	
Accrued interest payable - current year	<u>(3,415)</u>	371

Governmental funds report bonded debt repayments, including interest, as expenditures. However, principal repayments do not appear in the statement of activities since the payment is applied against the bond payable balance on the statement of net assets

128,000

Compensated absences are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds:

Prior year compensated absences	6,947	
Current year compensated absences	<u>(8,621)</u>	(1,674)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	348,229	
Depreciation expense for the year ended September 30, 2008	<u>(97,321)</u>	250,908

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.

(1,399)

Some revenues reported in the statement of activities are not considered current financial resources and are not reported as revenues in governmental funds

Accrued accounts receivable		
Deferred revenue - prior year	(503,878)	
Deferred revenue - current year	<u>493,587</u>	<u>(10,291)</u>

Total changes in net assets for the year ended September 30, 2008 per

Statement of Activities	\$	<u>301,596</u>
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The accompanying notes are an integral part of the financial statements.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements

Recreation District No. 3 of the Parish of St. Mary, State of Louisiana was created by Ordinance No. 1109 issued by the St. Mary Parish Council on June 13, 1990. The District encompasses Ward Eight of the Parish of St. Mary less and except that territory contained within the corporate limits of the Town of Berwick, as said corporate limits are presently constituted, and a portion of Ward Five of the Parish of St. Mary. The District is governed by a Board of Commissioners appointed by the St. Mary Parish Council. The purpose of the District is to provide for cultural and recreational activities in that portion of the Parish.

(1) Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the Parish Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Government.
- Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Government.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Because the Parish Council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The Statement of Activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified into one category: governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The general fund, the capital project fund, and the debt service fund of the District are considered to be major funds. The funds of the District are described below:

Governmental Funds –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District's office. The general fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

Capital Project Fund – the capital project fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Debt Service Fund – the debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

C. Capital Assets

Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings and improvements (including ball parks)	20 – 40 years
Recreational facilities and playground equipment	10 – 20 years
Equipment	5 – 12 years
Furniture	5 – 7 years

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payor or governing body.

Ad valorem taxes are recorded in the year taxes are due and payable.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

E. Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. Budgeted amounts are as originally adopted or as finally amended by the District.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are made. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

F. Cash

Cash includes amounts in demand deposits and interest bearing demand deposits.

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

G. Investments

State statutes authorize the District to invest in United States bonds, treasury notes or certificates, and time deposits of State banks organized under Louisiana law and national banks having principal offices in Louisiana. Local governments in Louisiana are also authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool and with the Louisiana State Treasury.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments meeting the criteria specified in the Statement are stated at fair value. Investments that do not meet the requirements are stated at cost. These investments include amounts invested in the Louisiana Asset Management Pool (LAMP) and the Louisiana State Treasury.

H. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the current period are recorded as prepaid items.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

I. Compensated Absences

Employees of the District earn vacation leave each year as follows:

Employed 1 to 3 years – 5 days accrued each year
Employed 3 to 9 years – 10 days accrued each year
Employed 10+ years – 15 days accrued each year

Any unused vacation leave at the time of retirement, or separation from employment, is paid to the employee.

J. Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

K. Capitalized Interest

The District capitalizes interest costs and interest earned as part of the cost of constructing various projects when material. The District capitalized no interest for the year ended September 30, 2008.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

At September 30, 2008, the District has cash and interest-bearing deposits (book balances) totaling \$221,689, as follows:

	<u>Governmental Activities</u>
Checking and money market accounts	\$ <u>221,689</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. The district does not have a policy to monitor or attempt to reduce exposure to custodial risk. At September 30, 2008, the District has \$227,858 in deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance and therefore not exposed to custodial credit risk.

(3) Investments

State law allows the investment in direct United States Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U. S. Government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book entry only securities guaranteed by the U.S. Government; time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana; savings account or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions; certain mutual or trust fund institutions; certain guaranteed investment contracts; and investment grade commercial paper of domestic United States corporation.

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment. The District's investment policy conforms to state law, as described above, which has no provision for custodial credit risk.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

Concentration of credit risk relates to the amount of investments in any one entity. At September 30, 2008, the District had no investments in any entity which exceeded 5% of total investments, except obligations of federal and state agencies.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy conforms to state law, which does not include a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2008, the District had the following investments and maturities:

Investment Type	Fair Value	Years		
		Less than 1	1 to 3	4 to 8
LAMP	25,386	25,386		-
Federal agencies	50,005	-		50,005
Total	<u>\$ 75,391</u>	<u>\$ 25,386</u>	<u>\$</u>	<u>\$ 50,005</u>

Credit risk is defined as the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The District invested only in obligations of federal or state agencies which are not rated. The type of investment allowed by state law ensures that the District is not exposed to credit risk.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statements No. 40, *Deposit and Investment Risk Disclosure*, requires the disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for all public entity investments.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investments pools:

Credit risk – LAMP is rated AAAm by Standard & Poor's.

Custodial credit risk – LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not with the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk – pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk -- 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.

Foreign currency risk – not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(4) Ad Valorem Taxes

The District's ad valorem tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and an enforceable lien attaches to the property on January 1. The taxes are collected on behalf of the District by the St. Mary Parish Sheriff and then remitted to the District. The District receives most of the ad valorem taxes in January and February. For the year ended September 30, 2008, the District levied a property tax of 9.36 mills. Six and one-half (6.5) mills was to provide for the payment of the general obligation bond principal and interest, and the remaining 2.86 mills was to provide funds for operations and maintenance.

(5) Due from Other Governmental Units

The following is a summary of amounts due from other governmental units at September 30, 2008:

	<u>Governmental Activities</u>
Due from -	
St. Mary Parish Government	\$ 31,667
St. Mary Parish Tax Collector	483,548
FEMA	<u>2,122</u>
Total	<u>\$ 517,337</u>

(6) Interfund Receivables/Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$10,654	-
Capital Project Fund	-	\$10,654

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(7) Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance 10/1/2007	Additions	Deletions	Balance 9/30/2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 268,607	\$ -	\$ -	\$ 268,607
Construction in progress	70,620	-	(70,620)	-
Capital assets, being depreciated:				
Buildings and improvements	1,860,118	3,271	(3,150)	1,859,239
Recreational facilities and playground equipment	393,775	404,684	-	798,459
Ball parks	452,964	8,624	-	461,588
Equipment	117,235	2,270	(0,355)	113,150
Furniture	40,194	-	-	40,194
Total	<u>3,203,513</u>	<u>418,849</u>	<u>(8,125)</u>	<u>3,541,237</u>
Less: accumulated depreciation				
Buildings and improvements	467,569	46,020	(3,735)	509,854
Recreational facilities and playground equipment	11,512	24,747	-	36,259
Ball parks	162,412	17,081	-	179,493
Equipment	69,029	6,843	(5,371)	70,501
Furniture	28,884	2,630	-	31,514
Total	<u>739,406</u>	<u>97,321</u>	<u>(9,106)</u>	<u>827,621</u>
Net capital assets	<u>\$ 2,464,107</u>	<u>\$ 321,528</u>	<u>\$ (72,019)</u>	<u>\$ 2,713,616</u>

Depreciation expense in the amount of \$97,321 was charged to general government.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(8) Change in Noncurrent Liabilities

Bonds payable at September 30, 2008 are comprised of the following issues:

\$600,000 General Obligation Bonds, Series 2003, due in installments of \$15,000 to \$45,000 through March 1, 2023, interest from 4.0% to 5.0% payable from ad valorem taxes to be levied by the District. Issued for the purpose of constructing, equipping and furnishing an addition to the community center and improving existing parks and other recreational facilities of the District.

\$250,000 General Obligation Bonds, Series 2005, due in annual installments of \$5,000 to \$25,000 through March 1, 2025, interest fixed at 3.95% payable from ad valorem taxes of the District. Issued for the purpose of constructing, equipping and furnishing an addition to the community center and improving existing parks and other recreational facilities of the District.

\$600,000 General Obligation Refunding Bonds, Series 2005, due in annual installments of \$92,000 to \$106,000 through March 1, 2011, interest fixed at 3.5% payable from ad valorem taxes of the District. These bonds were issued to redeem the outstanding principal balance of the General Obligation Refunding Bonds, Series 1998 issued January 1, 1998.

During year ended September 30, 2008, the following changes occurred in noncurrent liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation debt -					
Series 2003	\$ 525,000	\$ -	\$ (20,000)	\$ 505,000	\$ 25,000
Refunding, Series 2005	413,000	-	(98,000)	315,000	101,000
Series 2005	235,000	-	(10,000)	225,000	10,000
Compensated absences	6,947	1,674	-	8,621	-
	<u>\$ 1,179,947</u>	<u>\$ 1,674</u>	<u>\$ (128,000)</u>	<u>\$ 1,053,621</u>	<u>\$ 136,000</u>

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

The following is a schedule of debt requirements at September 30, 2008:

Year Ending September 30,	Principal	Interest	Total
2009	136,000	40,165	176,165
2010	143,000	35,113	178,113
2011	141,000	29,973	170,973
2012	43,000	26,565	69,565
2013	48,000	24,754	72,754
2014-2018	270,000	91,230	361,230
2019-2023	262,000	28,415	290,415
2024-2026	2,000	79	2,079
	\$ 1,045,000	\$ 276,294	\$ 1,321,294

(9) Retirement System

During the year ended September 30, 2008, all of the District's employees participated in the Social Security System. For the year ended September 30, 2008, the District contributed \$6,967 for the benefit of its employees. In addition, qualified employees also belong to a SEP/IRA Retirement Plan that was established by the District during the year ended September 30, 2002. The District contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis. The District contributed \$4,727 and \$3,887 to the SEP/IRA Retirement Plan during the year ended September 30, 2007 and 2008, respectively.

(10) Related Party Transactions

The District recognized the following transactions with the Parish of St. Mary (hereinafter "Parish"):

Operating Transfers

The Parish transferred \$99,500 to the District for operations and maintenance of its facilities. Such transfers are recognized as a component of revenue in the general fund of the District's fund financial statements as Intergovernmental Revenue.

Capital Transfers

The Parish transferred \$13,133 to the District for the construction of recreational facilities. Such transfers are recognized as a component of revenue in the capital projects fund of the District's fund financial statements as Intergovernmental Revenue.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Notes to Financial Statements (Continued)

(11) Compensation Paid To Board Members

The schedule of compensation paid to the board of Commissioners for the period ended September 30, 2008 in compliance with Louisiana Revised Statute 33:4572(B):

	Per Diem <u>Received</u>
Stan Robison, Chairman	\$ 110
Chris Dehart	20
Jerry Donahoe	110
Dan Irwin	100
Diane Irwin	110
Don Ryan	100
Janice Verret	120
Total	<u>\$ 670</u>

(12) Intergovernmental Agreements

On February 27, 1991, the District entered into an agreement with Hospital Service District No. 3, also a component unit of the Parish of St. Mary, to, at its sole cost and expense, acquire, construct, insure and maintain recreational facilities on excess property owned by the Hospital Service District. The agreement shall be binding on both parties until both parties mutually agree to terminate the agreement or the property is needed by the Hospital Service District for a good and valid purpose.

On March 14, 1994, the District entered into an agreement with Waterworks District No. 2, also a component unit of the St. Mary Parish Government, to provide the Waterworks District with an office located in the Bayou Vista Community Center.

(13) Prior Period Adjustment

Certain errors in the recognition of receivables, payables, and capital assets resulting in the overstatement/ (understatement) of net assets in the District's previously issued financial statements has been corrected in the current year. This correction results in the following changes to beginning net assets:

	As Previously <u>Reported</u>	Improper <u>Recognition</u>	As <u>Restated</u>
Government-wide financial statements	\$2,197,232	(\$6,947)	\$2,190,285

REQUIRED SUPPLEMENTARY INFORMATION

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2008

	Budgeted Amounts			Variance - Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 110,000	\$ 122,000	\$ 127,881	\$ 5,881
Grant - Parish Council	100,000	104,000	107,417	3,417
FEMA Hurricane Grant	-	-	7,866	7,866
Fees and charges for services	62,000	78,500	83,603	5,108
Interest income	1,000	1,000	1,222	222
Donations	1,000	500	100	(400)
Other income	14,000	4,000	-	(4,000)
Total revenues	<u>288,000</u>	<u>310,000</u>	<u>328,094</u>	<u>18,094</u>
Expenditures:				
Current -				
General government	202,850	239,000	224,377	14,623
Repairs and maintenance	18,500	21,000	19,519	1,481
Professional fees	6,500	6,500	5,925	575
Utilities	39,000	47,500	47,472	28
Capital outlay	10,000	12,000	10,165	1,835
Total expenditures	<u>276,850</u>	<u>326,000</u>	<u>307,458</u>	<u>18,542</u>
Excess (deficiency) of revenues over expenditures	<u>11,150</u>	<u>(16,000)</u>	<u>20,636</u>	<u>36,636</u>
Fund balance, beginning	<u>86,478</u>	<u>86,478</u>	<u>89,177</u>	<u>2,699</u>
Fund balance, ending	<u>\$ 97,628</u>	<u>\$ 70,478</u>	<u>\$ 109,813</u>	<u>\$ 39,335</u>

See accompanying note to budgetary comparison schedule.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Note to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted or as finally amended by the District.

INTERNAL CONTROL, COMPLIANCE AND OTHER INFORMATION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Commissioners
Recreation District No. 3 of the Parish of St. Mary
Bayou Vista, Louisiana

We have audited the financial statements of the governmental activities and each major fund, of Recreation District No. 3 of the Parish of St. Mary (hereinafter "District") as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies identified as items 2008-1 and 2008-2 and described in the accompanying summary schedule of audit results and findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying corrective action plan for current year findings. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Commissioners, management and others within the organization and is not intended to be and should not be used by anyone other than specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with LSA-R.S. 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
January 23, 2009

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2008

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

Significant deficiencies in internal control were disclosed by the audit of the financial statements and one of the conditions is considered a material weakness.

The audit did not disclose any instances of noncompliance which are required to be reported in accordance with *Government Auditing Standards*.

A management letter was not issued.

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

2008-1 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU §314.43 defines internal control as follows:

"Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §501.03 states:

An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2008

2008-2 - Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

CRITERIA: SAS112, *Communicating Internal Control Related Matters Identified in an Audit*, AU §325.18, states in pertinent part:

“Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:

- Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.”

Furthermore, AU §325.32 identifies the following as a deficiency in the design of (internal) controls:

“Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity’s financial transactions or preparing its financial statements.”

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: No recommendation forwarded. The additional costs required to achieve the desired benefit may not be economically feasible.

Part III. Findings and questioned costs for federal awards required to be reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 are not applicable for the year ended September 30, 2008.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Summary Schedule of Prior Year Findings
Year Ended September 30, 2008

2007-1 Finding: Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost/benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings, item 2008-1.

2007-2 Finding: Application of GAAP (generally accepted accounting procedures)

CONDITION: Management and staff lack the training and the expertise in the selection and application of GAAP in the financial statement preparation process.

RECOMMENDATION: No recommendation forwarded. The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings, item 2008-2.

RECREATION DISTRICT NO. 3 OF THE PARISH OF ST. MARY
Bayou Vista, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2008

Response to Finding 2008-1:

No corrective action is planned. Due to the size of the operation and the cost/benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response to Finding 2008-2:

The District has evaluated the cost/benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and has determined that it is in the best interest of the District to outsource this task to its independent auditors and will review, approve, and accept responsibility for the content and presentation of the statements and related notes prior to issuance.